

E-002/M-86-775 APPROVING CONTRACT WITH AFFILIATED INTEREST

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of a Request by Northern States Power Company for Approval of a Contractual Agreement Between Northern States Power Company and NORENCO for the Washington County Steam Supply Project

ISSUE DATE: September 26, 1989

DOCKET NO. E-002/M-86-775

ORDER APPROVING CONTRACT WITH
AFFILIATED INTEREST

PROCEDURAL HISTORY

On December 23, 1986 Northern States Power Company (NSP or the Company) filed a request for approval of a contract with its wholly-owned subsidiary, NORENCO. Under the contract NORENCO would purchase steam for resale from NSP and NSP would purchase wood by-product for fuel from NORENCO. The Department of Public Service (the Department) examined the transaction and recommended approval.

FINDINGS AND CONCLUSIONS

Minn. Stat. § 216B.48 (1988) governs transactions between public utilities and their affiliates. The Commission is to approve such transactions only if it clearly appears and is established upon investigation that such transactions are reasonable and consistent with the public interest. The burden of proof as to reasonableness is on the public utility. Minn. Stat. § 216B.48, subd. 3 (1988).

The Commission finds that the contract between NSP and NORENCO meets the requirements of the statute. NSP will fully recover all costs associated with its sale of steam to NORENCO. NORENCO will also pay the Company a user fee intended to represent any increased but unquantifiable risks to ratepayers resulting from Company ownership of NORENCO. The ratepayers will be held harmless should the project be unprofitable.

The wood by-product portion of the contract is also reasonable and consistent with the public interest. The price the Company will pay for the wood by-product, which it will use as fuel in its Allen S. King plant, will never exceed the cost of alternative solid fuel. This, too, is reasonable and consistent with the public interest.

The Commission will approve the contract, subject to continuing Company compliance with the recordkeeping requirements of Minn. Rules, part 7825.2300. The reasonableness of the contract will be subject to continuing review in light of actual experience, pursuant to Minn. Stat. § 216B.48, subd. 6 (1988).

ORDER

1. The contract between Northern States Power Company and its wholly-owned affiliate, NORENCO, discussed herein, is approved.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)